Partners Group Private Equity

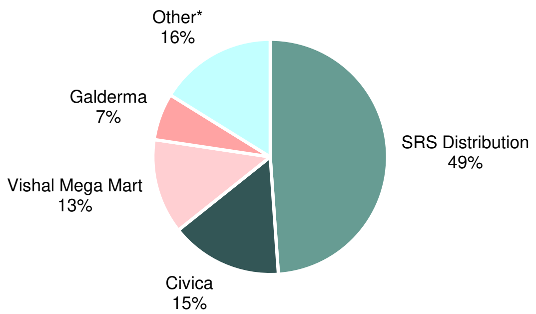
New value enhancement measures

Investment companies
Listed private equity

16 June 2025

Partners Group Private Equity Ltd's (PEY's) NAV total return (TR) improved after a weaker period to 11.4% in FY24 in euro terms. It was bolstered by the successful exit of SRS Distribution (sold to Home Depot), three IPOs and solid business traction of holdings such as International Schools Partnerships (ISP) and DiversiTech. PEY's NAV fell by 6.5% in the first four months of 2025, mostly due to fx and the de-rating of listed holdings (KinderCare Learning Companies in particular). PEY's board made good progress in its agenda to enhance shareholder value. In FY24, it rolled out a well-structured capital allocation framework, which, on top of regular dividends, allows it to use part of PEY's free cash flow for buybacks. The board also renegotiated PEY's fee structure with a favourable change to the base for calculating its management and performance fee. New members joined the board and PEY scaled up its engagement with shareholders.

Exhibit 1: PEY delivered a solid €144m of realisations in FY24



Source: Company data. Note: *Other includes KinderCare (€5.5m), Hofmanns (€3.4m), Rosen Group (€2.3m), Polyconcept (€1.1m), Global Blue (€1.0m) and other realisations (€10.0m).

Heightened uncertainty is curbing deal activity

Private equity (PE) has established itself as an important asset class for investors, providing access to actively managed, attractive companies not accessible through public markets, which increasingly tend to stay private for longer. PE deal activity stabilised and gradually improved in 2024, and the IPO window started tentatively opening up. However, the spike in macroeconomic and geopolitical uncertainty in 2025 has dampened private deal and IPO activity. Despite this, PitchBook considers PE's mid-term prospects to be favourable and forecasts a close to 30% rise in AUM versus end-2024 to US$7.7tn by end-2029.

Balance sheet provides capital allocation flexibility

PEY's solid balance sheet, with €18.5m liquidity and €130.5m of an undrawn credit facility, supports its dividend policy of paying out 5% of the prior year's closing NAV. The last declared interim dividend of €0.375 currently implies an attractive annualised yield of 7.8%. We calculate that PEY has c €112m in listed holdings arising from 2024 IPOs (with Vishal held at a discount) for which lock-ups either have expired or will expire soon. Their gradual selling down may at one point support a positive free cash flow, 75% of which would be spent on buybacks at the current c 32% discount to NAV. PEY said that 40% of its NAV is in ongoing or forthcoming exit processes, although market uncertainty could delay some exits.

Price		**€9.40**
Market cap		**€664m**
Shares in issue		69.2m
Code/ISIN		PEY/GG00B28C2R28
Primary exchange		LSE
AIC sector		Private equity
Financial year end		28 Feb
52-week high/low	€11.6	€9.1

Fund objective

Partners Group Private Equity Ltd (formerly Princess Private Equity Holding) is an investment holding company domiciled in Guernsey that mainly provides equity capital to private companies in the middle and upper-middle market. Its portfolio consists mostly of direct investments, and it has a small portfolio of legacy third-party fund investments that is currently in run-off. It aims to provide shareholders with long-term capital growth and an attractive dividend yield.

Bull points

- Attractive dividend policy and a well-structured buyback framework.
- Focus on transformative trends in various 'foundational' subsectors of the real economy and entrepreneurial governance approach.
- The board has recently been active in enhancing shareholder value.

Bear points

- NAV total return below peer average in recent years, though performance improved in FY24.
- Macroeconomic and geopolitical uncertainty is likely to dampen PE deal activity at least in the short term, delaying exit processes.
- Interest rate normalisation may reduce prospective private equity returns, put pressure on interest coverage ratios and/or lead to refinancing issues across PE-backed companies in the medium term.

Analyst

Milosz Papst +44 (0)20 3077 5700

investmenttrusts@edisongroup.com
Edison profile page

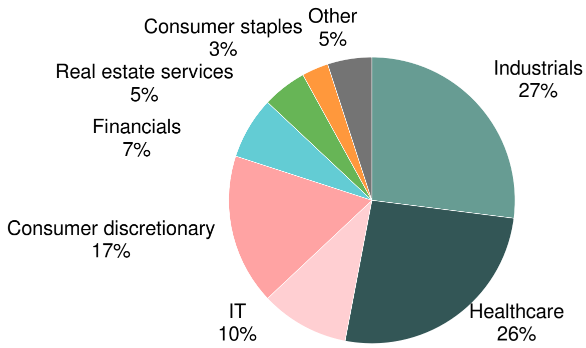
Partners Group Private Equity is a research client of Edison Investment Research Limited

Partners Group: Focus on foundational sectors

PEY offers a balanced exposure across private developed markets via direct investments, with approximately equal weights to North America (44% of its end-March 2025 portfolio value) and Europe (43%), complemented by smaller allocations to Asia-Pacific (10%) and Rest of World (3%). It has a history dating back to 1999. The company raised US $700m through the issuance of a convertible bond, which was successfully converted into shares in 2006. Since 2007, its shares have been listed on the London Stock Exchange under the ticker PEY (euro), with a sterling quote (PEYS) added in 2017 to broaden investor access.

PEY is managed by Partners Group (PG), one of the largest firms in the global private markets industry, with assets under management (AUM) of over US$150bn (of which US$78bn is in PE) across around 800 institutional investors. PG has around 1,800 employees across 21 offices and leverages its entrepreneurial governance approach in seeking to develop its portfolio companies into market leaders. PG seeks to identify attractive, transformative trends across sectors and invest in companies and assets with strong development potential through a team of more than 500 investment professionals. As a result, PEY's portfolio is well diversified across vintages and sectors, with the largest exposure to a diverse set of industrial and healthcare businesses, representing 27% and 26% of PEY's end-March 2025 portfolio, respectively (see Exhibit 2), which is above the weights of these sectors in the MSCI World Small Cap Index as of end-March 2025 of 19.8% and 9.3%, respectively. This is followed by consumer discretionary, which made up 17% of PEY's portfolio value (above the 12.6% for the index) and IT (10%, broadly in line with the MSCI World Small Cap Index).

Exhibit 2: PEY's portfolio breakdown by sector at end-March 2025



Source: Company data

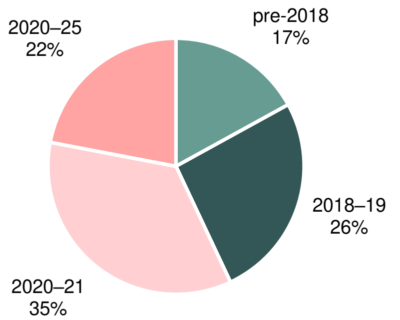
A good example of PEY's thematic investment approach is its recently completed investment in SRS Distribution, a US distributor of roofing products that expanded into landscaping and pool supply products, sold in 2024 to Home Depot for US$18.25bn. PEY realised a strong multiple on invested capital (MOIC) of over 5x since its investment in 2018. This was facilitated by what PG describes as a quick outperformance of the base case through expansion into adjacent markets, M&A activity, as well as margin improvement. SRS has grown through both acquisitions and greenfield branch openings, coupled with same-store sales growth on the back of an expanding US property market and rising roof replacement demand.

Maturing portfolio delivering significant exits

PEY received €144m of realisation proceeds in FY24 (around 14.7% of opening NAV), which is a solid result given the subdued PE exit environment in 2024 (even if below the average through-the-cycle 20–30% of NAV implied by the standard PE holding period of around four to five years). Most of the exit proceeds came from the above-mentioned trade sale of SRS Distribution (€70.4m proceeds), the sponsor-to-sponsor realisation of Civica, a global provider of cloud software solutions to the public sector (€22.2m, agreed in 2023), as well as the partial realisations of Vishal Mega Mart, a retailer for middle- and lower-middle income consumers in India operating more than 660 stores (€18.8m), and Galderma, a Swiss specialist in dermatology treatments and skin care products (€9.3m), following their IPOs, see Exhibit 1. In the first four months of 2025, PEY received a minor €11m in realisation proceeds, mostly from the exit of its investment in TOUS, an affordable luxury products retailer (€7.5m), and the further partial sale of its stake in Galderma (€2.9m).

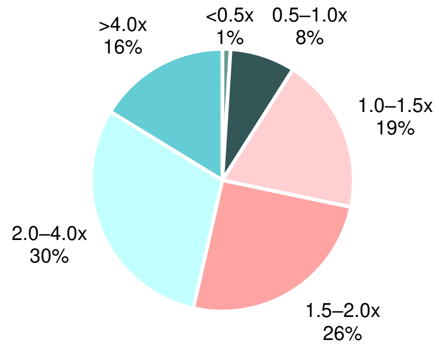
Despite last year's robust realisation activity, PEY maintains a good pipeline of holdings that may be ripe for an exit, arising from the good operational performance of several portfolio companies, as well as a limited level of realisations in 2022 and 2023 (in line with the low exit activity across global PE markets). This is underpinned by the vintage profile of its portfolio, with 43% of its held investments made before 2020 (see Exhibit 3), as well as the breakdown of direct investments by total value to paid-in (TVPI) multiple, with c 46% of PEY's direct investments at end-2024 held at 2.0x or more (of which 16% at 4.0x or more, see Exhibit 4). As a ballpark assumption, a TVPI of over 2.0x is considered a good result within PE's standard holding period. A further 44% of the portfolio is in the value-creation phase and is held at a TVPI of 1.0–2.0x, and only 9% of portfolio is held below cost. PEY's chairman highlighted that 38 of the 46 investments made since 2020 have shown material revenue and earnings growth. Moreover, investments made in 2021–22 have, despite higher entry multiples, started to show meaningful unrealised value accretion. More than 40% of PEY's portfolio by invested amount performs above the base underwriting case, according to PG.

Exhibit 3: PEY's portfolio vintage profile at end-March 2025



Source: Company data

Exhibit 4: PEY's portfolio by total value to paid-in multiple as at end-2024



Source: Company data

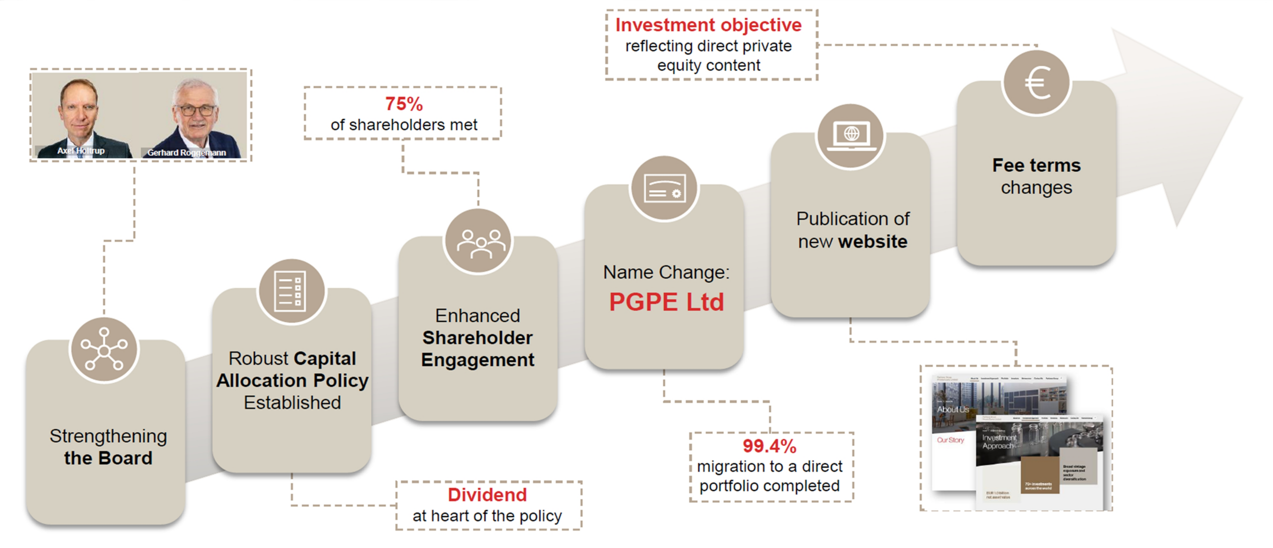
While recent elevated market uncertainty may curb exit activity in the short term (see below), we note that some of PEY's investments held at a TVPI of 2.0x are recently listed holdings (c 13% of the end-March 2025 portfolio), most notably Vishal Mega Mart, KinderCare Learning Companies and Galderma. Most of these holdings are available for sale, as the lock-ups on Galderma and KinderCare shares have already expired and the lock-up on 80% of PEY's remaining shares in Vishal Mega Mart will expire in the coming weeks. Until PEY sells down most of its listed holdings, they may add to NAV volatility, as seen in Q125. We also note that, according to media reports, PG is in talks with Bain Capital to sell the contract development and manufacturing organisation PCI Pharma Services, PEY's second-largest holding (8.5% of end-April 2025 NAV), valued at US$10bn. During the Q125 presentation PG also highlighted near-term signed agreements, including GlobalBlue (a tourism shopping tax refund company) and Aavas (an Indian housing loan finance company), with expected combined proceeds of c €15m.

We also note that PG agreed in October 2024 to sell Techem, an international provider of digitally-enabled solutions for the building ecosystem such as smart metering solutions (4.0% of end-April 2025 portfolio value), to PE investor TPG and the Government of Singapore Investment Corporation (GIC). However, the potential buyers withdrew registration of the transaction with the EU antitrust authorities on 7 May, as the European Commission deemed TPG's concessions insufficient and announced an in-depth review of the takeover. PG is now considering alternative options for its Techem holding.

Initiatives to enhance shareholder value and engagement

Peter McKellar (the company's chairman since November 2023) has led the implementation of several improvements to the company's corporate governance. Firstly, the board of directors was strengthened with the appointment of Axel Holtrup and Gerhard Roggemann in 2024. Both bring extensive capital markets experience, including in PE (see details below). A further board member (Nicola Paul) was appointed in April 2025. Secondly, the board introduced a well-defined capital allocation policy. Thirdly, it met 75% of shareholders by value to enhance engagement. Fourthly, the board completed a detailed review of the investment management terms to ensure PG's alignment with shareholders, which resulted in changes to the fee structure. Finally, the board initiated an analysis of the levers of, and where it is possible to seek improvement in, investment performance in absolute and relative NAV TR terms given the suboptimal performance over the last few years.

Exhibit 5: The board's major initiatives in FY24

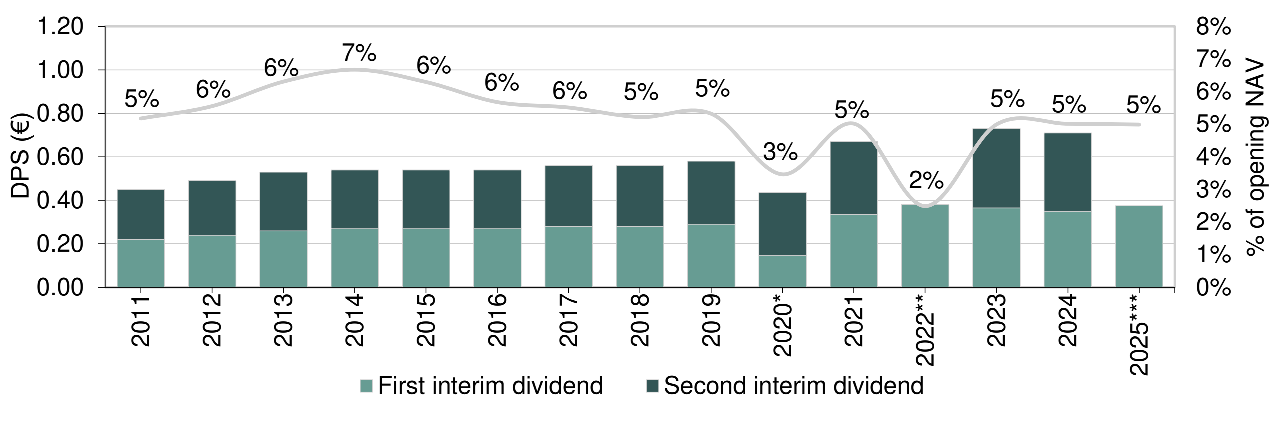


Source: Company presentation

Offering a healthy dividend yield and potential for buybacks

PEY pays out a solid annual dividend of 5% of the previous year-end NAV in semi-annual payments, which it has been able to successfully deliver since 2011 with few exceptions (see Exhibit 6). In line with its dividend policy, PEY recently declared the first interim dividend for the current year at €0.375 per share (which was paid on 13 June, with an ex-dividend date of 8 May). Given the current wide c 32% discount to NAV at which PEY's shares trade (versus a 10-year average of c 19%), this dividend represents, on an annualised basis, an attractive yield of 7.8%.

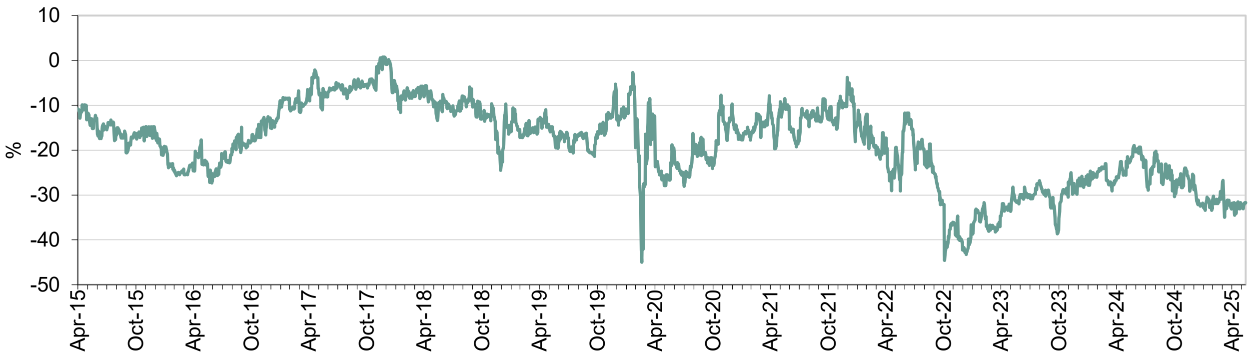
Exhibit 6: PEY boasts a strong dividend track record



Source: Company data, Edison Investment Research
Note: *Lower dividend due to COVID-19 pandemic. **Second interim dividend cancelled due to high cash flows for FX hedges (PEY subsequently abandoned its hedging policy). ***Dividend yield based on annualised first interim dividend.

Furthermore, the company's board recently introduced a well-structured framework for conducting NAV-accretive buybacks. This is designed to ensure a significant part of the company's free cash flow will be allocated to share repurchases if its shares trade at a wide discount to NAV. In the event PEY's share price discount to last reported NAV reaches 30% or more (which is currently the case, see Exhibit 7), PEY will allocate 75% of the free cash flow it generates (calculated at the beginning of each quarter) to share repurchases. At a discount of 20% or more (but below 30%), it will use 50% of free cash flow. However, even if the discount is narrower than 20%, the board retains the right to embark on share buybacks if it considers it beneficial to PEY. This framework highlights PEY's clear focus on limiting the discount to NAV and performing share repurchases when these are particularly NAV-accretive. We discussed further details of PEY's buyback policy in our April 2024 note.

Exhibit 7: PEY's current discount to NAV triggers the use of 75% of free cash flow for buybacks



Source: Company data, LSEG Data & Analytics, Edison Investment Research

PEY maintains a comfortable balance sheet with available liquid resources at end-April 2025 consisting of €18.5m and a €130.5m undrawn part of its €140m credit facility (which matures in December 2026). This more than covers PEY's outstanding investment commitments of €120.6m as of end-2024 (or 11.6% of end-2024 NAV), of which PEY expects only €60–70m to be drawn over the next two to four years (it anticipates that the remaining commitments will remain undrawn).

To generate positive surplus free cash flow for buybacks, after covering its six-month ongoing charges and dividends, as well as the reserve of 3% of NAV to cover commitment drawdowns and follow-on investments, PEY needs to reach cash and contracted distributions/secondary sales of more than €70m. At least part of this amount may be collected via the partial selling down of Vishal Mega Mart, Galderma and KinderCare, as discussed above. We estimate that PEY's holdings in these three companies, adjusted for the recent share price movements and excluding 20% of PEY's holdings in Vishal Mega Mart with a longer, 18-month lock-up, are worth around €112m. This includes a discount applied to PEY's holdings in Vishal. Here, we note that selling down listed holdings is normally a gradual process.

PEY was cautious in its investment activity in FY24 with €31.3m (c 3% of opening NAV) deployed in the period. This included new investments in Rosen Group (a global technology-powered provider of recurring, regulatory-driven and mission-critical inspection services for energy infrastructure assets), Velvet Care (the largest manufacturer of hygiene paper products in Central and Eastern Europe), FairJourney Biologics (a biologics contract research organisation), Afileon (formed by PG to build a leading provider of tax and accounting services to Germany's SME segment via a buy-and-build strategy) and Pest Control Partnership (a greenfield entry into the European pest control market), as well as several follow-on investments. The company also made an additional €20m commitment to Partners Group Direct Equity V fund in Q124, which brought its total commitment to €50m. PEY's c €10m in investments in Q125 included a new investment in contract development and manufacturing organisation Avid Bioservices, as well as multiple follow-on investments.

Favourable changes to fee structure recently negotiated by the board

In February 2025, PEY's board and PG agreed to changes to PEY's fee arrangements effective from 1 January 2025. The management fee will still be paid quarterly at 0.375% (translating to 1.5% pa), broadly in line with the 1–2% fee charged in the PE sector. However, the base for calculating the fee has been changed to NAV (rather than the higher of NAV and gross assets), less temporary investments (same as before), plus unfunded commitments to make direct investments (rather than all unfunded investment commitments).

The board also negotiated a change to the 15% incentive fee, which until recently was calculated on a deal-by-deal basis for realised investments on which PEY achieved an internal rate of return of at least 8% (based on acquisition costs without accruing the management fee). It is now calculated as 15% of NAV performance (ie at PEY's total portfolio level rather than individual transactions), subject to a high-water mark set at the level at which a performance fee was last paid (the initial high-water mark is based on PEY's NAV as at end-December 2024). The fee will be accrued monthly and tested and paid on a semi-annual basis, subject to PEY having sufficient liquidity (defined as net debt of less than 5% of PEY's NAV). The revised incentive fee terms do not include a hurdle rate, which may be considered disadvantageous given that it is a standard term offered to limited partners in PE funds. That said, PEY's board believes that a hurdle rate is less relevant through the cycle, which we agree with as long as the fund delivers solid returns. Importantly, PEY's board negotiated the 15% incentive fee on NAV performance (which is below the most common 20% rate) for both existing and new investments, which means that the impact of the revised terms kicks in fully from

1 January 2025. PEY's board estimates a 10bp positive impact on PEY's NAV TR from the revised management fee per year, with at least another 30bp from the revised incentive fee. PG does not charge PEY additional fees at the level of private funds, which results in a single-layer fee structure. PEY's ongoing charges ratio in FY24 stood at 1.77%, or 3.83% including incentive fee, according to the Association of Investment Companies.

PEY's investment objective and policy were also updated in the investment management terms to better align with PEY's focus on direct PE investments and remove the ability to make primary and secondary PE investments, or to invest in private infrastructure, private real estate and private debt. PEY will retain the option to temporarily deploy excess liquidity in corporate debt.

PE outlook: Global uncertainty putting the brakes on deal activity

Following a gradual pick-up from Q224 and a solid start to 2025, PE activity has slowed down amid macroeconomic and political headwinds, with global proposed PE deployment down to US$444.9bn in 3,762 deals in Q125 compared to US$463.8bn in 4,958 deals in Q424 (sequential declines of 4.1% and 24.1%, respectively), according to KPMG's Pulse of Private Equity Q1'25 report. While this still represents a 16.5% y-o-y increase from US$381.9bn in Q124, activity remains well below peak levels in 2021 of c US$550–700bn per quarter. Major potential negative factors include: 1) the global trade war triggered by the new US tariffs, 2) price volatility in public markets (which will also likely curb IPO activity, at least in the short term), 3) a pause to US interest rate cuts, 4) a combination of elections and economic challenges in major European countries (UK, Germany, France), and 5) prospective federal spending cuts in the US.

Many transactions in the private markets may be put on hold for a few months as potential acquirers wait for more clarity on the first- and second-round impact of tariffs. KPMG highlighted that PE investors are particularly cautious in sectors such as manufacturing, life sciences, consumer goods and retail, while sectors less sensitive to tariffs such as business services and healthcare, as well as companies with a strong domestic market focus, may draw increased interest. We also believe that European and Asian businesses with limited US exposure may see better deal traction overall. We note that PG's Global Investment Committee has underweight investments with significant cross-border exposure for several years in view of rising geopolitical tensions. According to a PG analysis of its portfolio sensitivity to the US tariffs announced on 2 April, they would result in a mere 1–3% aggregate EBITDA decline across PG's direct portfolio (which largely overlaps with PEY's portfolio). PG highlighted that 71% of its portfolio is outside the scope of tariffs (an impact on EBITDA of less than 1%) or is expected to see only a modest impact (1–4% EBITDA decline).

Valuation multiples across North American and European M&A deals remained stable in Q125 after the 2024 stabilisation and rebound, according to PitchBook. But we note that there is still a significant overhang of holdings ripe for an exit (given the muted PE exit activity after 2021), which, together with the above-mentioned factors, may act as a constraint to a more significant expansion in exit valuations in the coming quarters.

A survey conducted by McKinsey among limited partners in January 2025 indicated that 30% plan to allocate more capital to private markets over the next 12 months (up from 25% in the previous year's survey), while 54% expect to keep a stable allocation (down from 62%). As we look beyond the short-term horizon, there still seems to be room for expansion in global private markets AUM, with PitchBook expecting a gradual growth in the AUM held by general partners to US$24.1tn by the end of 2029, up from US$18.7tn currently, which implies 5.2% growth pa. A major driver of this should be the strong expansion of private wealth as a funding source, stimulating growth in evergreen, semi-liquid fund structures. PitchBook expects PE AUM to grow to US$7.7tn by end-2029 from US$6.0tn at end-2024 (ie by close to 30%), despite the strong fund-raising in the last market cycle.

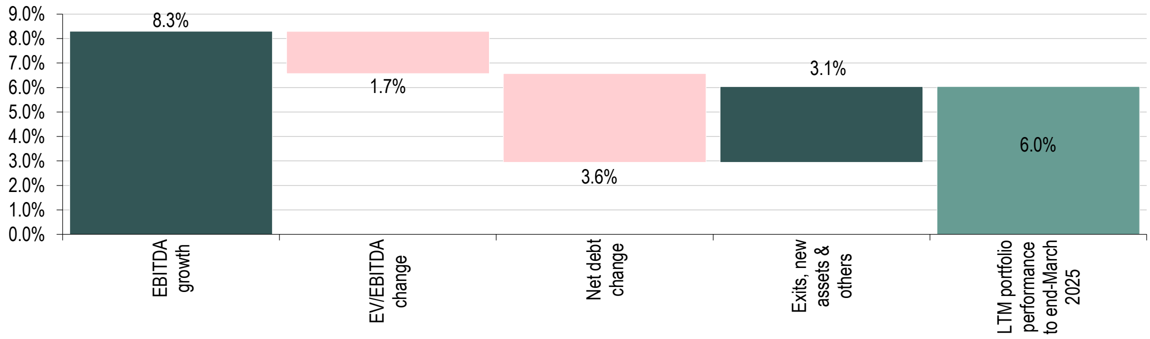
Performance improved in FY24

NAV TR assisted mostly by portfolio earnings growth and exit/acquisition uplifts

PEY delivered a robust NAV TR of 11.4% in euro terms in 2024 (a rather muted year for PE generally), with a 12.2% fair value increase across its portfolio, primarily driven by EBITDA growth, with its top 20 holdings growing their EBITDA by an average 12% for the last 12 months (LTM) to end-2024 (an LTM run rate that was sustained in Q125). Another important return driver was the realised uplift on exits and revaluation on the acquisition of attractively priced assets. The weighted average uplift to last unaffected carrying value on exits agreed in 2024 was a strong 37%, although we note that this includes partial exits through IPOs, for which the final return metrics will be determined following full realisation. A marginal increase in net debt across PEY's portfolio reduced fair values as many portfolio companies refinanced or extended maturities of debt given the favourable pricing in credit markets. This in turn led to more than US$81m of aggregate annual interest cost savings across PEY's portfolio in FY24. The average net debt to EBITDA across PEY's top 20 holdings at end-March 2025 stood at 6x, compared with a 4.1x average for global buyouts completed in 2024, according to McKinsey's Global Private Markets Report 2025. The expansion of multiples had a positive contribution in FY24, although it reversed in Q125, resulting in 6.0% portfolio performance for the 12 months to end-March 2025 (see Exhibit 8). PEY's share price total returns in FY24 and Q125 stood at 10.0% and -3.7%, respectively.

Major individual positive contributors to PEY's FY24 portfolio performance were Vishal Mega Mart (valuation up 121% in 2024), SRS Distribution (35%), ISP, a global owner and operator of K-12 private schools and education centres (65%), and DiversiTech, a producer of parts and supplies for the US residential heating, ventilation and air conditioning (HVAC) market (36%).

Exhibit 8: Attribution analysis of PEY's LTM portfolio return to end-March 2025



Source: Company data

Vishal Mega Mart delivered strong revenue and EBITDA growth of over 55% and 60% over the last two years, respectively, supported by store expansion, double-digit same-store sales growth and operational efficiency improvements. The business completed its IPO on the National Stock Exchange of India and the BSE (formerly Bombay Stock Exchange) in December 2024 at an IPO price of INR78 per share, which represents a healthy 36% uplift to the last published carrying value (as at end-October 2024) of PEY's holding in the company. PEY sold down around 23% of its underlying investment in the company, collecting proceeds of €18.8m in December. 80% of PEY's retained shares are subject to a six-month lock-up and the other 20% is subject to a lock-up of 18 months from the IPO date.

We note that Vishal's shares closed the first day of trading at INR111.93, representing a 79% uplift to the end-October 2024 carrying value, which assisted PEY's returns in both November and December, when it posted monthly NAV TRs of 1.2% and 4.4%, respectively. The closing share price on the first day of trading implies a very strong MOIC of more than 7.0x since PEY's investment in 2018. Subsequently, Vishal's shares went up further to INR123.69 based on the last closing price. Vishal is now PEY's largest holding, making up 8.5% of NAV at end-April 2025.

PEY also signed the above-mentioned disposal of **SRS Distribution** in March 2024 at a valuation implying a solid uplift to previous carrying value of more than 30% (reflected in PEY's March 2024 NAV return of 3.6%).

PG originally set up **ISP** in 2013 as a 'greenfield' investment vehicle specifically to consolidate the market via a buy-and-build strategy, attracting an experienced leadership team composed of former senior executives of several for-profit school chains. It has since grown to a chain of 105 schools in 25 countries serving over 92.5k students (it recently acquired five schools and expanded via two new greenfield schools). ISP's valuation in 2024 was supported by its strong LTM revenue and EBITDA growth of 36% each stemming from a combination of organic growth and M&A. As a result, it made up 4.2% of PEY's end-April 2025 NAV.

DiversiTech grew its revenue and EBITDA in the 12 months to December 2024 by 4% and 13%, respectively, assisted by lower raw material and freight costs, improving customer demand, productivity gains from automation and recent M&A. PEY highlighted that the company maintained good margins despite competitive pricing pressure.

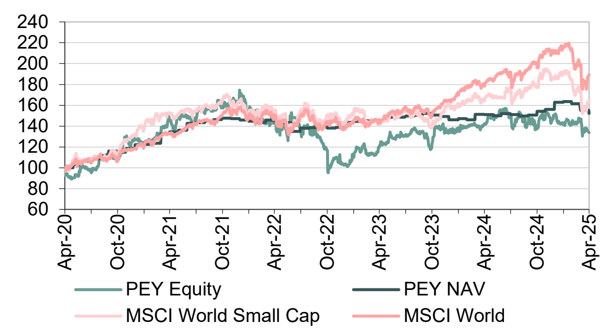
PEY's portfolio holding **KinderCare Learning Companies**, a US childhood education services provider (which made up c 2% of end-March 2025 portfolio value), was also floated last year. It completed its IPO on the NYSE in October 2024 at a price of US$24.00 per share. PEY did not sell any of its shares in the IPO and its holdings were subject to a 180-day lock-up, but it made a minor €5.5m pre-IPO realisation via a dividend recapitalisation. It recorded a 50% uplift to end-August 2024 carrying value for this holding based on the closing price on the first trading day. However, KinderCare's share price de-rated subsequently by more than 50% to US$10.08 currently, including a 22% fall on the day following the release of its Q424 results in March 2025. PG believes that the de-rating may have been driven by lower than expected revenue guidance for 2025, as well as recent concerns over the US administration's plans to eliminate the Department of Education, even though KinderCare's subsidised care revenues (c 35% of total revenue) come via the Department of Health and Human Services rather than the Department of Education. KinderCare reported a modest 1.6% y-o-y increase in revenue from early childhood education centres in Q125 (vs a 2021–24 CAGR of 14%), with a 2pp positive impact from higher tuition fees offset by slightly lower enrolment. The company's adjusted EBITDA went up by 12.2% y-o-y to US$83.6m in Q125 (vs a 2021–24 CAGR of 23%). Its GAAP operating profit was US$48.8m in Q125 versus US $33.6m in Q124 (and an operating loss of US$89.3m in Q424).

Management's FY25 guidance assumes c 3–7% revenue growth and an adjusted EBITDA of US$310–325m (vs US $298m in FY24). The company's FY25 will include an additional 53rd week, which management expects to contribute US$45–50m to revenue and US$10–12m to adjusted EBITDA. The business de-levered via the use of IPO proceeds with net debt to adjusted EBITDA down from 4.1x at end-2023 to 2.6x at end-March 2025 (with management forward expectations of c 2.5–3.0x). This was coupled with a favourable repricing of its remaining first lien debt. The company's management emphasised the long-term growth opportunity driven by a combination of a structural shortage of supply in the early childhood education in the US and market fragmentation, with the top five players making up around 5% of the market (of which KinderCare is the largest).

Long-term performance yet to catch up with public markets and peers

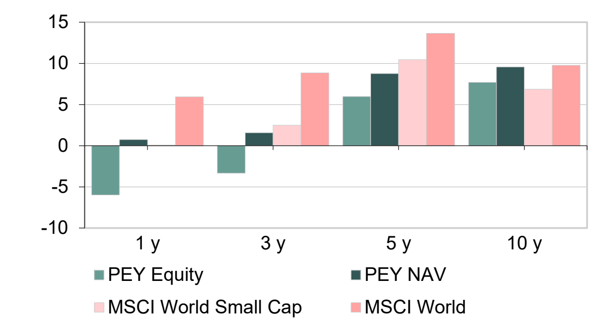
PEY's NAV TR performance in the first four months of 2025 was-6.5%, affected by fx headwinds and the revaluation of listed holdings (most notably KinderCare). This brought its 12-month return to end-April 2025 to 0.7%, which is slightly ahead of the MSCI World Small Cap Index (0.1% in euro terms) though behind the listed PE peer average of 4.5%. PEY's five-year NAV TR of 8.8% pa remains below both global small caps (10.5% pa, see Exhibit 9 and Exhibit 10) and the listed PE peer average (14.4% pa, see Exhibit 11). This may be due to several factors, one of which may be PEY's lower exposure to IT compared to some peers; the sector has performed particularly well since the COVID-19 pandemic. Moreover, PEY's FY21 NAV TR of 19.4%, while solid in absolute terms, was below the peer average, partially due to a material cash drag stemming from prior record-high disposals (only partly mitigated by a temporary allocation to senior loans). PEY's 10-year NAV TR of 9.6% pa is less relevant as it covers a period during which the company transitioned its portfolio away from fund investments to direct investments (a process that is now complete). Over this period, PEY outperformed the MSCI World Small Cap Index return of 6.8% pa but was behind the listed PE peer average of 12.0% pa.

Exhibit 9: Price, NAV and benchmark TR performance, five years re-based



Source: Company data, LSEG Data & Analytics, Edison Investment Research

Exhibit 10: Price, NAV and benchmark TR performance (%)



Source: Company data, LSEG Data & Analytics, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

Exhibit 11: PEY’s peer comparison at 16 June 2025* in euro terms

%	Market cap (£m)	NAV TR (1-year)	NAV TR (3-year)	NAV TR (5-year)	NAV TR (10-year)	Ongoing charge	Performance fee	Discount	Latest net gearing	Dividend yield
Partners Group Private Equity	**664**	**0.7**	**4.8**	**52.2**	**149.3**	**1.8**	**Yes**	**(31.7)**	**104.8**	**7.6**
HgCapital Trust	2,673	7.3	28.7	154.9	358.5	1.4	Yes	(6.4)	101.7	1.1
GIMV	1,586	4.5	16.6	49.0	93.8	4.9	Yes	(16.8)	110.8	5.9
Oakley Capital Investments**	1,010	4.9	27.5	120.9	263.8	2.9	Yes	(29.3)	100.3	0.9
NB Private Equity Partners	753	(2.8)	(3.5)	79.4	157.3	1.9	Yes	(39.6)	101.9	4.9
Deutsche Beteiligungs***	451	1.3	14.0	71.7	141.2	-****	Yes	(34.1)	116.6	4.2
HarbourVest Global Private Equity	2,066	3.5	8.4	94.5	239.1	1.3	Yes	(41.1)	109.6	0.0
Pantheon International	1,600	1.0	8.7	85.1	175.2	1.3	Yes	(38.1)	108.2	0.0
Patria Private Equity Trust	986	5.4	17.1	93.5	221.2	1.1	No	(28.6)	106.2	3.0
ICG Enterprise Trust	997	12.6	28.7	96.9	225.5	1.4	Yes	(35.2)	114.3	2.6
CT Private Equity Trust	388	7.6	23.2	116.9	218.1	1.2	Yes	(33.4)	115.9	6.1
Peer average	**1,251**	**4.5**	**17.0**	**96.3**	**209.4**	**1.9**	**-**	**(30.2)**	**108.6**	**2.9**
Rank	**9**	**10**	**10**	**10**	**9**	**4**	**-**	**5**	**8**	**1**

Source: Company data, LSEG Data & Analytics, Edison Investment Research
Note: Net gearing is total assets less cash and equivalents as a percentage of net assets. *12-month NAV total return (TR) performance in euro terms based on end-April 2025 or latest earlier available NAV. **The starting point for calculating Oakley Capital Investment’s 5-year and 10-year returns is the average of NAV from end-December 2019 and end-June 2020, and end-December 2014 and end-June 2015, respectively, due to availability of data ***Deutsche Beteiligungs’s 10-year NAV TR is calculated from end-April 2015 due to availability of data. ****Deutsche Beteiligungs’s ongoing charges are lower than the company’s fee income.

Exhibit 12: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI World Small Cap (%)	MSCI World (%)
30/04/2021	45.6	34.5	51.8	32.8
29/04/2022	1.6	7.9	0.6	10.6
28/04/2023	(19.1)	0.3	(5.7)	(0.9)
30/04/2024	18.7	3.7	14.1	22.8
30/04/2025	(6.0)	0.7	0.1	6.0

Source: Company data, LSEG Data & Analytics. Note: All % on a TR basis in euros.

Portfolio allocation

PEY has completed its transition away from fund investments (initiated more than 10 years ago) to direct investments, which at end-March 2025 made up more than 99% of the portfolio. 98% of its portfolio at end-March 2025 consisted of PE investments, with the remaining 2% in real assets. It is a diversified portfolio offering exposure to more than 70 PE direct investments, though its top 10 investments made up a meaningful share at 48.9% of NAV at end-April 2025 (see Exhibit 13).

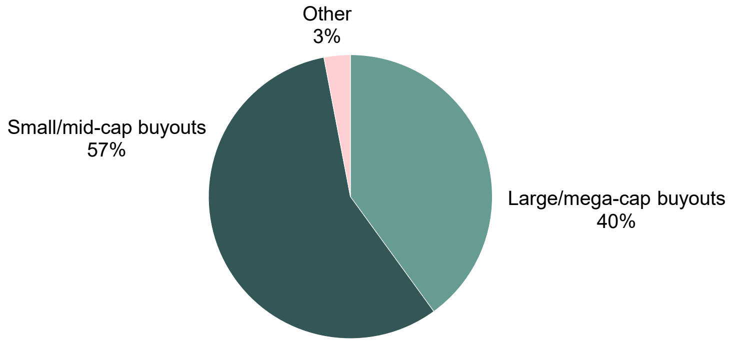
More than half of PEY’s portfolio is invested in buyouts classified by PG as small/mid-cap (see Exhibit 14), which we believe have several advantages over large/mega-cap deals. Firstly, many of the acquired companies have not been owned by PE before and are low-hanging fruit in terms of value creation. Secondly, portfolio exits are less dependent on the IPO market (with more trade sale and sponsor-to-sponsor opportunities). Finally, small- and mid-market deals are less reliant on funding via syndicated loans and also often involve less leverage versus large/mega-cap buyouts.

Exhibit 13: PEY’s top 10 holdings as at end-March 2025

Company	Region	Sector	Portfolio weight (%)
Vishal Mega Mart	Asia-Pacific	Consumer discretionary	8.5
PCI Pharma Services	North America	Healthcare	8.5
Emeria	Western Europe	Real estate services	5.5
Ammega	Western Europe	Industrials	5.2
DiversiTech	North America	Industrials	4.8
International Schools Partnerships	Western Europe	Consumer discretionary	4.2
Techem Metering	Western Europe	Industrials	4.0
Clario	North America	Healthcare	2.9
Foundation Risk Partners	North America	Financials	2.8
Galderma	Western Europe	Healthcare	2.5
Top 10 companies	-	-	**48.9**

Source: Company data

Exhibit 14: PEY's end-April 2025 portfolio by transaction size



Source: Company data

Three of PEY's top 10 holdings (representing c 14.0% of total NAV at end-April 2025) are industrial companies: **Ammega** (a provider of belting solutions), **DiversiTech** and **Techem Metering**.

PEY's second-largest holding is **PCI Pharma Services** (8.5% of end-April 2025 NAV), a contract development and manufacturing organisation. Some of PEY's other healthcare investments include the above-mentioned **Galderma** (2.4% of end-April 2025 NAV); **Clario** (2.9% of end-April 2025 NAV), a contract research organisation; **Pharmathen** (2.0% of end-2024 NAV), a contract development and manufacturing organisation for complex generic drugs; **Stada Arzneimittel** (1.4% of end-2024 NAV), a German pharma company producing generic and over-the-counter drugs; and **Wedgewood Pharmacy** (1.3% of end-2024 NAV), a provider of custom pet-friendly compounded medications for US veterinarians.

PEY also holds several healthcare services providers that offer the potential for secular growth and buy-and-build opportunities. These include **EyeCare Partners** (2.0% of PEY's end-2024 NAV), the largest vertically integrated, medically focused eye-care services provider in the US; **Forefront Dermatology** (1.9%), a dermatology practice chain in the US; **Blue River PetCare** (1.5%), a group of veterinary practices; and **Confluent Health** (1.2%), one of the largest (by number of clinics) outpatient physical therapy providers in the US.

PEY has invested in education businesses, such as the above-mentioned **ISP** and **KinderCare Learning Companies**, as well as **Guardian Childcare & Education** (1.5% of end-2024 NAV), an owner of childcare centres.

Examples of PEY's tech investments include **Forterro** (2.1% of end-2024 NAV), a pan-European enterprise resource planning software provider to small- and mid-sized manufacturing businesses; B2B software business **Idera** (1.8%); **Version 1** (1.6%), a provider of application modernisation, cloud transformation and cloud-native software development services; and **Precisely** (1.2%), a software business specialising in data integrity tools.

Approach to sustainability

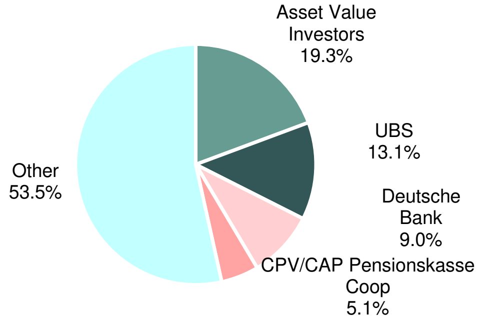
PG positions itself at the forefront of the sustainability trend in the sector and has been integrating sustainability in its PE investing since 2006, when it established its Responsible Investment Policy (now referred to as the Global Sustainability Directive). PG has been a signatory of the United Nations Principles for Responsible Investment (UNPRI) since 2008. In 2023, PG adopted the Net Zero Investment Framework, while in 2024 it rolled out the framework for selected portfolio companies and analysed its portfolio data in line with existing regulations and set interim targets for 2030. PG also mapped out its path to transition its entire assets under management to net zero by 2050. This aligns its investments with Switzerland's regulations and long-term climate goals. PG determined a set of goals for assets within PEY's portfolio where it has a controlling stake. Firstly, the aim is to establish a governance framework within the first 100 days from the transaction completion date. During the first two years of ownership, portfolio companies develop a meaningful framework to improve sustainability performance. This allows PG's team to evaluate the sustainability impact for a given investment until exit. Focus areas include greenhouse gas reduction, the initiation of a stakeholder benefits programme, the development of a tailored employee engagement initiative and the introduction of a diversity and inclusion strategy.

We also note the implementation of improvements to PEY's corporate governance under Peter McKellar's leadership discussed above.

Capital structure

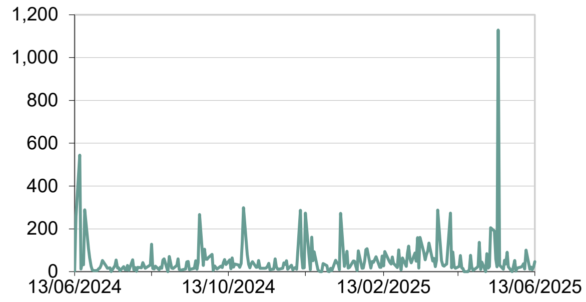
PEY is structured as a limited liability investment holding company domiciled in Guernsey and listed on the Main Market of the London Stock Exchange. It has one class of share, with c 69.2m ordinary shares in issue, although the shares are quoted in both euros (PEY) and sterling (PEYS).

Exhibit 15: Major shareholders



Source: Bloomberg data as at 16 June 2025

Exhibit 16: Average daily traded value (€'000s)



Source: LSEG Data & Analytics

The board

PEY's board consists of six independent non-executive directors.

Peter McKellar (chair) is a non-executive director of 3i Group and Investcorp Capital, and was a board member of Scottish Enterprise. He was previously global head of private markets (responsible for £55bn of AUM) at abrdn, the CIO of Standard Life Investments' PE and infrastructure business, and also lead manager of Standard Life Private Equity Trust (now called Patria Private Equity Trust).

Merise Wheatley (chair of the audit and risk committee) has over 30 years of experience at board level in risk financing and insurance management. She is a Fellow of the Association of Chartered Certified Accountants and currently serves as a director on the boards of several non-listed regulated insurance entities in Guernsey. Between 1998 and 2019, she worked for several leading insurance management service providers in Cayman Islands, Guernsey and Malta.

Fionnuala Carvill (chair of the management engagement committee) is a Chartered Fellow of The Chartered Institute for Securities & Investment; a Fellow of the London Institute of Banking & Finance (Chartered Institute of Bankers); a Fellow of The Chartered Governance Institute and a Chartered Governance Professional. She is currently a non-executive director of Investec Bank (Channel Islands) and Fair Oaks Income, among others. Her previous positions include managing director of Kleinwort Benson (Channel Islands) Investment Management, director of Kleinwort Benson (Channel Islands), commission secretary and head of innovation at the Guernsey Financial Services Commission and director of Rothschild Bank (CI).

Axel Holtrup is currently an investor in technology start-ups and member of the supervisory board of Deutsche Beteiligungs. Previously he was principal at alternative investments manager Investcorp International (1997–2006), director at global technology investment firm Silver Lake Partners (2006–11), and between 2011 and 2017 he was partner and member of the global management committee at PE firm AEA Investors.

Gerhard Roggemann is at board member for the Else-Kroener-Fresenius Foundation, deputy chair of the supervisory board for Bremer, as well as an independent business consultant. Previously, he held senior management positions at JP Morgan & Co, Norddeutsche Landesbank and WestLB. Moreover, he was a non-executive director of several companies, including Deutsche Boerse, Fresenius SE & Co, Friends Life Group, F&C Asset Management and Resolution Ltd Guernsey. He was also chair and non-executive director of the supervisory board of Deutsche Beteiligungs.

Nicola Paul is a Fellow of the Institute of Chartered Accountants in England and Wales with over 30 years of experience in the finance industry in the Channel Islands. Her previous positions include Deloitte as an associate partner in the UK and Channel Islands, where she led teams in the provision of audit and controls engagements to both listed and private investment funds and asset management entities. She also specialised in advising on accounting, corporate governance and risk management matters. She is a former Executive Committee member of the Guernsey Society of Chartered and Certified Accountants and served as the Technical Sub-Committee chairman for 15 years until 2024.

Exhibit 17: PEY's board of directors

Board member	Date of appointment	Remuneration in FY24 (£)	Shareholdings at end-FY24
Peter McKellar (chairman)	23 November 2023	100,000	30,000
Merise Wheatley	1 September 2018	72,313	5,000
Fionnuala Carvill	1 September 2018	68,798	-
Axel Holtrup	15 February 2024	52,562	-
Gerhard Roggemann	21 March 2024	46,808	811,867
Nicola Paul	2 April 2025	-	-

Source: Company data

General disclaimer and copyright

This report has been commissioned by Partners Group Private Equity and prepared and issued by Edison, in consideration of a fee payable by Partners Group Private Equity. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or sol icitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom